

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1531-01  
Bill No.: HB 673  
Subject: Banks and Financial Institutions; Business and Commerce; Insurance - General;  
Insurance - Life; Insurance Department  
Type: Original  
Date: February 26, 2001

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**FISCAL SUMMARY**

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Insurance Dedicated	(\$35,875)	(\$31,752)	\$15,694
<b>Total Estimated Net Effect on <u>All</u> State Funds</b>	<b>(\$35,875)</b>	<b>(\$31,752)</b>	<b>\$15,694</b>

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None			
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 4 pages.

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Insurance (INS)** state the potential number of licensees is unknown. INS estimates that there would be 100 providers and 500 individuals licensed as brokers and sales agents. Officers and designated employees of licensed providers would be deemed licensed if named on the application. INS estimates an additional 500 licensees based on this provision that would have to be tracked. INS states a 10% increase in licensees annually is estimated. Licensees would file for approval prior to the use of their viatical settlement contracts and disclosure statement forms at a filing fee of \$50. Filing of annual statement would be accompanied by a \$50 fee. INS estimates FY 2002 revenue of \$102,500 (500 brokers and sales agents + 100 providers @ \$100 = \$60,000 (licensing), 250 policy form filings x \$50 = \$12,500, annual statement 600,000 x \$50 = \$30,000), FY 2003 revenue of \$49,000 (60 new licenses @ \$100 = \$6,000, form filings 200 x \$50 = \$10,000, annual statements \$33,000), and FY 2003 revenue of \$98,500 (600 license renewals @ \$75 = \$45,000, 70 new licenses @ \$100 = \$7,000, Form filings 200 x 50 = \$10,000, annual statements 730 x \$50 = \$36,500). INS would require one Insurance Licensing Tech I (\$21,192) to process applications and renewals, as well as handle increased phone calls and correspondence and to track employees designated by licensed providers. INS would also require one Product Analyst II (\$31,380) to review and approve all sales contracts and purchase agreements. INS would also require contract programming costs to modify the licensing system to handle these new licenses. Insurance anticipates that existing staff could absorb the other responsibilities of this proposal i.e. investigations, examinations, financial analysis, hearings and clerical. If however the number of viatical settlement providers, brokers and sales agents exceed estimates, additional resources would be required.

**Office of Attorney General** officials did not respond to our fiscal impact request .

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
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### **INSURANCE DEDICATED FUND**

#### Income - Department of Insurance

Form filing fees	\$102,500	\$49,000	\$98,500
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#### Costs - Department of Insurance

Personal services (2 FTE)	(\$44,905)	(\$55,233)	(\$56,614)
Fringe benefits	(\$14,967)	(\$18,409)	(\$18,869)
Expense and equipment	(\$78,503)	(\$7,110)	(\$7,323)
<b>Total Costs - Department of Insurance</b>	<b>(\$138,375)</b>	<b>(\$80,752)</b>	<b>(\$82,806)</b>

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
<b>ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND</b>	<b><u>(\$35,875)</u></b>	<b><u>(\$31,752)</u></b>	<b><u>\$15,694</u></b>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2002 (10 Mo.)	 FY 2003	 FY 2004
	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

#### FISCAL IMPACT - Small Business

Small businesses would expect to be fiscally impacted to the extent they would incur additional licensing fees and form filing fees as a result of the requirements of this proposal.

#### DESCRIPTION

This proposal would require a license to sell or broker "life settlements," which would be defined as the assignment or transfer of an interest in the expected death benefits from a life insurance policy. The proposal would establish criteria necessary for obtaining a license and sets forth the responsibilities of the Department of Insurance in regulating the industry. The proposal would require that life settlement sales contracts contain certain information, such as the availability of accelerated benefits from the issuer of the insurance policy, possible tax consequences, and the owner's right to rescind the contract. The proposal would also require a variety of written disclosures to be made to every prospective purchaser and prohibits specific language, such as the term "guaranteed," in sales literature. Any violation would constitute an unfair trade practice, for which the Director of the Department of Insurance may seek injunctions and sue for damages.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Insurance

**NOT RESPONDING: Office of Attorney General**

A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is stylized with a large initial "J" and a cursive "Jarrett".

Jeanne Jarrett, CPA  
Director

February 26, 2001